

UNITED STATES CIVIL SERVICE COMMISSION
BUREAU OF RETIREMENT AND INSURANCE
WASHINGTON 25, D.C.

ADDRESS REPLY
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AND REFER TO

FILE BRI

AND DATE OF THIS LETTER

AUG 16 1962

Government Employees Health Assn., Inc.
P. O. Box 463
Washington 4, D. C.

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Dear [REDACTED]

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Attached are copies of proposed amendments to the regulations governing the Federal Employees Health Benefits Program and explanations of the reasons for the proposals. The proposed amendments were published in the Federal Register of August 17, 1962, and interested persons may submit written comments, suggestions, or objections within 30 days of that date.

We plan to make the amendment to section 89.3(e) and the new section 89.4(c) effective no later than October 1, 1962, and the remaining amendments effective November 1, 1962. Because of the tight schedule necessary to meet this objective, we urge you to submit your comments, suggestions, or objections as early as possible so that they can be given careful consideration within the time available.

Sincerely yours,

Andrew E. Ruddock

Andrew E. Ruddock
Director

Amendment to Part 89

(Health Benefits Regulations)

Additions to the text are underscored; deletions of present text are [bracketed].

Section 89.1(k) is amended by adding the following sentence at the end of the paragraph:

"Whenever, in this part, a period of time is defined by beginning and ending dates, the period includes the beginning and ending dates."

Section 89.2(b)(2) is amended to read as follows:

"(2) Employees whose employment is of uncertain or purely temporary duration, or who are employed for brief periods at intervals, and employees [or] who are expected to work less than six months in each year, [...] except employees having career-conditional or career appointments who are employed under a cooperative work-study program of at least one year's duration which requires the employee to be in pay status during not less than one-third of the total time required for completion of the program."

Section 89.3(e) is amended to read as follows:

"(1) Not less often than once every three years, the Commission will by regulation provide every employee an opportunity for enrollment and change of enrollment, on such terms and conditions as it may prescribe.

(2) During the period October 1 to October 15, 1962, any employee who has not been an enrolled employee at any time during the period

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May 1, 1962, to September 30, 1962, may register to be enrolled. During the period October 1 to October 15, 1962, any employee enrolled for self alone may change his enrollment to self and family in the same plan and option.

(3) During the period October 1 to October 15, 1963, any employee who is not registered to be enrolled may register to be enrolled, and any enrolled employee may change his enrollment from one plan or option to another, or from self alone to self and family, or both."

Section 89.3(f)(1) is amended to read as follows:

"(1) An enrolled employee or annuitant may register to change his enrollment from himself alone to himself and family, and an employee, if registered not to be enrolled, may register to be enrolled, at any time during the period beginning 31 days before a change in marital status and ending 60 days after the change in marital status. An employee who registers to change his enrollment under the preceding sentence may, at the same time, register to change his enrollment to another plan or option. An enrolled employee or annuitant may change his enrollment from himself alone to himself and family within 60 days after any other change in family status."

Section 89.3(f)(2) and (3) are amended to read as follows:

"(2) An employee or annuitant may at any time register to change his enrollment from self and family to self alone. An employee or annuitant who is covered by the enrollment of another under this part may register to be enrolled for self alone within 31 days after a registration to change the covering enrollment has been filed under authority of this paragraph."

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(3) An employee who is not enrolled, but is covered by chapter 55 of title 10, United States Code, hereinafter referred to as Medicare, or by enrollment, under this part or Part 88, of [a spouse] another, may register to be enrolled within 31 days after termination of Medicare or the other's [spouse's] enrollment, other than by death or cancellation, and within 60 days after termination, by death, of Medicare or the other's enrollment. An employee-annuitant who was, immediately before retirement, covered by the enrollment of another under this part and had been covered (including enrollment in his own right) under this part since his first opportunity or for the five years immediately preceding his retirement, whichever is shorter, may enroll within 31 days after the termination of his coverage, other than by cancellation. [An employee who is not enrolled, but is covered by Medicare or by the enrollment, under this part, of a parent, may register to be enrolled within 31 days after the termination of his coverage. An employee or annuitant who is covered by enrollment of another under this part may register to be enrolled for self alone within 31 days after a registration to change the covering enrollment under subparagraph (2) of this paragraph has been filed.]"

Section 89.3 is amended by redesignating paragraphs (k) and (l) as (n) and (o), respectively, and adding the following new paragraphs:

"(k) On reaching 19, An employee who is not registered to be enrolled may register to be enrolled within 31 days after his 19th birthday."

"(l) On return from a uniformed service. (1) The enrollment of an employee or annuitant whose enrollment was terminated because he

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entered on duty in a uniformed service for a period of time not limited to 30 days or less shall be reinstated automatically on the day the employee is restored to a civilian position pursuant to Part 35 of this chapter or other similar authority or on the day the annuitant is separated from the uniformed service, as the case may be.

"(2) An employee who enters on duty in a uniformed service for a period of time not limited to 30 days or less may register to enroll or to change his enrollment within 31 days after he is restored to a civilian position pursuant to Part 35 of this chapter or other similar authority; and an annuitant who enters on duty in a uniformed service for a period of time not limited to 30 days or less may register to change his enrollment within 31 days after he is separated from the uniformed service."

"(m) Change in employment status. (1) If an employee or annuitant is entitled to provide coverage for another by a self-and-family enrollment, but both are enrolled for self alone, he may change his enrollment to self and family within 31 days after the other's is terminated by a change in employment status which results in loss of eligibility."

Section 89.4 is amended by:

Amending paragraph (b) to read as follows:

"(b) Change to self alone. The effective date of a change of enrollment under section 89.3(f)(2) is the first day of the first pay period after the Health Benefits Registration Form is received by the employing office."

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Redesignating paragraph (c) as (d), and inserting the following new paragraph:

"(c) Open season. (1) The effective date of changes of enrollment under section 89.3(e) is the first day of the first pay period beginning on or after November 1 of the year in which the Health Benefits Registration Form is received by the employing office.

"(2) The effective date of new enrollments under section 89.3(d) is the first day of the first pay period beginning on or after November 1 of the year in which the Health Benefits Registration Form is received by the employing office which follows a pay period in which the employee is in pay status, except that if the employee is a substitute in the postal field service the effective date of his new enrollment is the first day of the first pay period beginning on or after November 1 of the year in which the Health Benefits Registration Form is received which follows the sixth consecutive pay period in which he was in pay status and in each of which he drew sufficient pay, after other deductions, to permit withholding the amount necessary for his share of the cost of the health benefits plan he selects."

Section 89.5 is amended by adding a new paragraph 89.5(c), to read as follows:

"(c) Survivor annuitants. If an employee who is entitled to health benefits coverage as a survivor annuitant elects to enroll or to continue to be enrolled under his eligibility as an employee, and is thereafter separated without entitlement to immediate annuity based on his own service his employee-acquired enrollment may be reinstated on application to his retirement office. Reinstatement shall be effective immediately

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after termination if the application is received by the retirement office within 60 days of separation; otherwise reinstatement will be effective on the first day of the first pay period following receipt of the application. Amounts necessary to pay the former employee's share of the cost of this enrollment will be withheld from the annuity which he receives as a survivor annuitant."

Section 89.6 is amended to read as follows:

"§ 89.6 Cancellation of enrollment.

"An enrolled employee or annuitant may at any time register to cancel his enrollment by filing with his employing office a properly completed Health Benefits Registration Form. The cancellation becomes effective on the last day of the pay period following the pay period in which the Health Benefits Registration Form canceling his enrollment is received by his employing office except that the cancellation of an employee or annuitant having a monthly or four-weekly pay period will become effective at the end of the pay period in which the Health Benefits Registration Form is received if the Form is received not less than 15 days before the end of the pay period. He and the members of his family are not entitled to the temporary extension of coverage for conversion or to convert to an individual contract for health benefits."

Section 89.7 is amended:

By deleting "and suspension" from the heading "Termination and suspension of enrollment";

By adding the following new subparagraph (6) to paragraph (a):

"(6) The day he is separated, furloughed, or placed on leave

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of absence in accordance with the provisions of Part 35 of this chapter or other similar authority for the purpose of permitting duty not limited to 30 days or less in a uniformed service";

By deleting paragraph (b);

By redesignating paragraph (c) as (b) and by adding the following new subparagraph (3) to the paragraph:

"(3) The day he enters on active duty in a uniformed service for the purpose of performing duty not limited to 30 days or less"; and

By redesignating paragraph (d) as (c) and amending subparagraph (2) of that paragraph to read as follows:

"(2) The day the employee or annuitant ceases to be enrolled, unless the member is entitled, as a survivor annuitant, to continued enrollment, or is entitled to continued coverage under the enrollment of another."

Section 89.8 is amended to read as follows:

"§ 89.8 Temporary extension of coverage for conversion.

"An employee or annuitant whose enrollment is terminated other than by cancellation of the enrollment or discontinuance of his plan, in whole or part, and a member of the family whose coverage is terminated other than by cancellation of the enrollment or discontinuance of the plan under which he is covered, in whole or part, is entitled to a 31-day extension of coverage for himself, or himself and family, as the case may be, without contributions by the enrolled person or the Government, during which he is entitled to exercise the right of conversion

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provided for by this part. A change from self and family to self only operates as a cancellation as to the members of the family. The 31-day extension of coverage and the right of conversion for any person ends upon the effective date of a new enrollment under this part which covers the person."

Section 89.13 is amended to read as follows:

"§ 89.13 Application for approval of health benefits plans.

"Application for approval of comprehensive medical plans may be made by letter to the United States Civil Service Commission, Washington 25, D. C. Approval of a plan will become effective on a date to be set by the Commission for the plan. Applications received less than six months in advance of a contract period will not be approved for that contract period."

Explanation of Proposed Amendments

§ 89.1(k). This amendment eliminates the need to insert "inclusive" every time a period of time is defined by beginning and ending dates.

§ 89.2(b)(2). The Government employs persons who participate in a cooperative work-study arrangement whereby the employee works for the Government part of the time and spends a part of his time on LWOP attending school to complete his formal education. Through this program the Government obtains the services of qualified people who have both the formal education necessary for certain Government positions and actual experience in related Government work. This program has proved very much to the advantage of the Government. It appears that the availability of health benefits coverage may be a factor in influencing students under cooperative work-study programs to accept positions with the Government. The additional cost of coverage of these students during the continuance of the program is minor.

Under present regulations these students may be excluded from coverage during part of their training because of the six-months rule. The amendment will correct this for all cooperative work-study programs known to the Commission. This provision does not cover students who work for the Government during summer vacations or at other times when their studies do not interfere, whether or not the vacation employment is related to the student's course of study.

§ 89.3(e). A general open season appears neither necessary nor desirable in 1962. Only a few of the plans will make any significant change in charges or benefits this year. Since there was a general open season in 1961, it does not appear that any significant number of employees will presently be enrolled in plans with which they are dissatisfied. Consequently, the need for a general open season this year does not appear to warrant the very considerable cost of a general open season. However, those employees presently enrolled for self alone will be allowed to provide coverage for their families in the same plan and option if they wish. Also, there will be opportunity for employees who are not enrolled to become enrolled. It is necessary to impose safeguards to avoid employees' changing plans by canceling enrollment and then registering to enroll in another plan. For this reason, employees who have been enrolled since May 1, 1962, will not be eligible to enroll.

It is expected, however, that there will be changes in many of the plans in 1963. Consequently, it is believed desirable to provide an open season for all employees to enroll or change enrollment as to family coverage, option and plan in 1963.

§ 89.3(f)(1). This change authorizes an employee to change his plan and option at the same time he changes his family coverage upon a change in marital status. At present this can be done by canceling enrollment and

then registering to enroll under the marital status provision. The change would make it possible to accomplish both actions with one document. The amendment puts an employee enrolled for self only on a par with an employee registered not to be enrolled when he marries.

§ 89.3(f)(2) and (3). This amendment provides a new opportunity for enrollment for certain employees and employee-annuitants covered by the enrollment of another. The added classes of people to whom this opportunity is extended are:

- employees and annuitants covered by the enrollment of a spouse or parent under the Retired Federal Employees Health Benefits Program who lose that coverage other than by cancellation
- employee-annuitants who are eligible to enroll but did not because covered by another's enrollment, and who lose the other coverage, other than by cancellation. This does not apply to survivor-annuitants.

In addition, the subparagraphs are reorganized, clarified, and simplified. In the course of simplifying the regulations two substantive rights of employees covered by a parent's enrollment were affected:

- he loses the right to enroll on cancellation of his parent's enrollment
- his time for enrollment following the death of the enrolled parent is extended to 60 days from the former 31.

These changes are not believed significant, particularly in view of the new right to enroll on reaching 19.

New § 89.3(k). Many younger employees register not to be enrolled because they are covered by the enrollments of their parents either under this part or in other individual and group policies. Ordinarily they will lose this coverage upon reaching an age specified in the policy. If the parent is enrolled under this part, we have provision for the employee to enroll for himself. If the parent's coverage is not under this part, there is no provision for the employee to enroll until an open season. Since the most common age for loss of coverage is 19, we are providing that employees reaching their 19th birthday may register to be enrolled. It does not appear to be worthwhile to provide specially for employees enrolled as family members under policies setting other ages for termination of coverage in view of the administrative burden entailed in verifying the date of loss of coverage.

New § 89.3(l). This amendment is intended to complete a change of procedure with regard to employees who enter on duty in a uniformed service. (see the explanation of the amendment to section 89.7).

§ 89.3(m). Two employees, usually a husband and wife, frequently enroll for self alone, even though it would be possible for one of them to provide coverage for the other by enrolling for self and family. In fact, we have encouraged such enrollments when no maternity benefits appear needed because they save both the government and the employee money. However, if one of them loses his coverage, e.g., by resigning from Federal employment, the other must wait until the next open season before he can change to a self-and-family enrollment.

We propose to permit the employee who remains on the rolls to change to a self-and-family enrollment immediately. Under this proposal, there may be adverse selection in the case of the wife who becomes pregnant and resigns. If her husband then changes his enrollment to self and family, the carrier would be obligated for maternity benefits. Nevertheless, we think this type of adverse selection will be negligible, since most people needing maternity benefits will already be enrolled for self and family, and the inequities that will be avoided by adoption of the proposal are of greater importance.

§ 89.4(b). The effect of this amendment is to eliminate the requirement that the employee have been in pay status when he changes his enrollment from self and family to self only. This eliminates a potential delay in making the change effective and does not injure carriers since an employee not in pay status would be entitled to free coverage for self and family under the present regulations. Presently the pay status requirement does not apply when, by death or other circumstances, the employee loses all members of his family.

§ 89.4(c). This paragraph is inserted to provide an appropriate effective date for open season enrollment and changes of enrollment. Pay status is not a requirement for change of enrollment.

§ 89.5(c). When an employee eligible to be enrolled is covered by the enrollment of another, and that other dies, the employee may become a survivor annuitant. As such she has the option of continuing the other enrollment as a survivor annuitant or of enrolling in her own right as an employee. If she continues as a survivor annuitant her coverage will be terminated if she marries or for any other reason loses title to her annuity. If she enrolls as an employee her coverage will be terminated by the employing office if she leaves the service other than by retirement on immediate annuity based on her own service.

As a practical matter, the employing office cannot properly transfer her enrollment to the retirement office, because the employing office will not know whether she is currently entitled to survivor annuity. We propose, therefore, to continue her employee enrollment upon her application to the retirement office. If she applies promptly (within 60 days) her enrollment will be continuous. If she delays longer, her enrollment will be reinstated prospectively.

§ 89.6. The effective date of cancellation has been set so as to allow time for the carriers to receive notice of the cancellation before the effective date so that carriers will not pay claims for employees who have already canceled. The present regulations provide sufficient time for employees who are paid biweekly. The time allowed, however, is excessive for employees and annuitants who are paid monthly. The proposed amendment will reduce the time presently allowed for employees who are paid monthly or at four-weekly intervals. The proposal is believed to produce the most rapid effective date for cancellation consonant with adequate notice to the carrier. It should save money for employees and annuitants who are paid on a monthly basis.

New § 89.7(a)(6) and (b)(3). Our regulations now provide that if an employee goes into the military service on military furlough or other leave of absence for more than 30 days and under conditions which entitle him to reemployment in his civilian position, his enrollment and coverage are suspended on the date of entry. If he resigns or is separated, his enrollment and coverage are terminated on the date of entry. In either case, his enrollment is reinstated if he returns and exercises his reemployment rights. The experience under this regulatory provision indicates that it would be administratively more convenient and more equitable to the employee to terminate the enrollment of every employee who enters military service for more than 30 days than to suspend his enrollment, whether he is separated or furloughed. Under this amendment furloughed employees, as well as separated employees, would be entitled to 31 days free coverage on leaving civilian employment. This would be beneficial to employees, because many employees need time, between leaving the civilian job and entry on military duty, to settle their affairs. Reinstatement would be as at present.

New § 89.7(c)(2). This clarifies the termination provision for members of the family.

§ 89.8. This amendment clarifies the regulations to show that family members are not entitled to a temporary extension of coverage or an opportunity to convert when they lose coverage by virtue of a change of enrollment from self and family to self only.

§ 89.13. It takes several months from the date the Commission receives an application for approval of a plan before a decision can be made on the application and the plan put into operation, if approved. For this reason, we have published Orders in the Federal Register in the past indicating that applications for new plans must be submitted by a deadline allowing time for consideration for the next contract period.

To avoid publishing an Order of this type every year, we propose to state in the regulations that applications received less than six months in advance of a contract period will not be approved for that contract period.